FISCAL NOTE

Bill #:	SB437	**Title:**	Exclude state school levies from TIFs and require local school approval
Primary Sponsor:	Jim Elliott	**Status:**	As Introduced

Sponsor signature Date

David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$0	$0
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	$0	$0

☒ Significant Local Gov. Impact

☐ Included in the Executive Budget

☐ Dedicated Revenue Form Attached

☐ Technical Concerns

☒ Significant Long-Term Impacts

☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. Under current law, any urban renewal plan or industrial district ordinance may contain provisions for the segregation and application of tax increments to provide funds needed to meet the objectives of the plan. Tax increments are defined by first establishing the boundaries of a tax increment financing district. Just prior to establishing the tax increment financing provision, the taxable value of all property within the district is established. This is referred to as the "base taxable value". Once the base value of taxable property has been established, any growth in taxable value above the base level, is referred to as the "incremental taxable value". Applying the mill levies of taxing jurisdictions in which the tax increment financing district is located to the incremental taxable value generates revenue referred to as the "tax increment". This revenue is then available to be used to meet the goals of the urban renewal plan or industrial district.
2. Under current law, the revenue derived from the application of all state and local mill levies to the incremental taxable valuation accrues to the urban renewal district, except for the statewide 6 mills levied for the university system. Revenue from the 6 mills levied for the university system against the incremental taxable value of tax increment financing districts is distributed to the university system account, rather than to the financing district. On the other hand, revenue generated from other statewide mill levies accrues to the financing district, rather than to their respective state accounts.

3. This bill would amend 7-15-4286, MCA, to provide that for tax increment financing purposes, revenue from the following statewide mill levies would accrue to their respective state accounts, rather than to the financing district:
    a) the statewide 33 mills levied for the state general fund (20-9-331, MCA);
    b) the statewide 22 mills levied for the state general fund (20-9-333, MCA);
    c) the statewide 40 mills levied for state equalization aid (20-9-360, MCA); and
    d) the 1.5 mills levied within certain counties for the state general fund to be used for funding vocational-technical education (20-25-439, MCA).
4. The bill further provides that revenue associated with local school district mill levies (Title 20, MCA) also may not accrue to the tax increment financing district, unless specifically authorized by the appropriate school board.
5. *However, the above amendments to 7-15-4286, MCA, do not apply to tax increment financing districts in existence toady, but would apply prospectively only to tax increment financing districts created after the date that this bill is passed and approved.* Consequently, this bill would not jeopardize the solvency of existing tax increment financing districts that have bond payment obligations dependent on current revenues that include revenue from statewide and school district mill levies.
6. This proposal is likely to increase future revenues to the state general fund above current law levels. The extent to which this will occur depends on the number and size of tax increment financing districts that are created in coming years. Since the future change in revenues are dependent upon undetermined tax increment districts that could have a wide range of values, it is not possible to estimate this fiscal impact. However, to place the revenue consequences in perspective, note that in tax year 2003 that the amount of revenue diverted from the state general fund to tax increment financing districts totaled $3.2 million; the amount of revenue diverted from local school district accounts to tax increment financing districts totaled just over $7 million.
7. DOR does not anticipate any additional administrative costs under the provisions of the bill.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

To the extent that forthcoming tax increment financing districts do not win approval to accrue revenues associated with mills levied by local school districts, revenues to school districts will increase. This could also slightly impact the distribution of school guaranteed tax base aid from the state general fund.

LONG-RANGE IMPACTS:

Future state general fund revenues will increase above current law levels by the amount of increment taxable valuation of increment districts created after the effective date of this act, multiplied by the statewide mill levies.